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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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The GNP Numbers . . .

If one looks at the top-line GNP numbers alone, the economy ended 1982 on a sour note. The government's latest report shows that the nation's output of goods and services contracted by a seasonally adjusted annual rate of 2.5 per cent in the fourth quarter compared with the third. This is an even steeper decline than Washington thought just one month ago.

But on closer examination, the economy is not as weak as this statistic may seem to indicate. This is because a large part of the contraction in the "real" GNP was due to a dramatic decrease in business inventories, which is hardly a sign of weakness. To the contrary, with excess stocks depressing output, an inventory contraction is a positive development and a critical prerequisite to stabilization of employment and to any increase in industrial production.

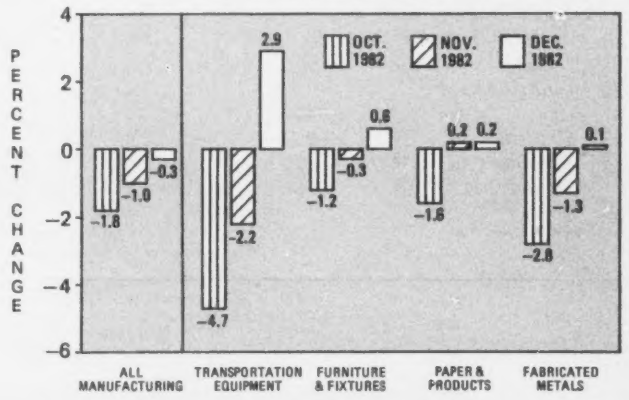
Real final sales—a more accurate barometer of the pace of business because it excludes inventory investment—rose by a healthy 3.1 per cent at a seasonally adjusted annual rate. This represents the highest rate of growth in this component since the first quarter of 1981, when the economy was not—technically, at least—in recession. During the fourth quarter, real inventories fell by $17.7 billion following a $3.4 billion pileup in the third. As a result of this swing, $21.1 billion was subtracted from last quarter's change in the GNP, after a $7.8 billion addition in the third.

. . . Don't Tell The Full Story

The inventory contraction came about largely as a result of Detroit's reduction in its automobile stocks; supplies sank as low as 52 days' sales on December 1, down from an average of 80 days' supply on hand during the third quarter. During the fourth quarter, car sales jumped to a seasonally adjusted 6.1 million unit rate—the highest quarterly rate in over a year. In response to these encouraging developments, the automakers stepped up assemblies from a 4.7 million unit pace in October to a 5.1 million unit rate in December and now plan to manufacture 5.6 million cars at a seasonally adjusted annual rate during the current quarter.

The significant rebound in housing activity has also been an important contributor to the rise in real final sales. As a result of the sharp decline in interest rates for mortgages and construction loans, housing starts jumped to a seasonally adjusted annual rate of 1.25 million units in the fourth quarter, up nearly 12 per cent from the July-September period, and 45 per cent above the same period a year ago. Unfortunately, due to bad weather, construction of new homes was slowed in many parts of the country in December—especially in the South which was hit by major floods—resulting in a 13 per cent drop compared with November. Importantly, building permits—a harbinger of future construction activity—gained eight per cent in December, month-over-month; they have risen in eight out of the last ten months.

EMPLOYED PRODUCTION WORKERS IN SELECTED INDUSTRIES
(MONTHLY PERCENT CHANGES)



Production And Employment . . .

There are other positive signs. For example, not only has the slide in industrial production eased, but many industries have already regained some ground. In December, the retreat in the index—the 15th in the past 17 months—slowed significantly. While the declines averaged 0.9 per cent per month in the previous 13 months, last month's drop was only 0.1 per cent. What is more, half of the 12 available industries reported stepped-up production. This is a big improvement from November, when less

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than one-sixth of the surveyed industries posted increases.

In December, the sharpest rise in industrial production was reported by the transportation industry, where motor vehicles and parts output advanced by a strong seven per cent, month-over-month, and aerospace production rose by 0.5 per cent. Other gainers included ordnance, printing and publishing and instruments. Monthly seasonally adjusted statistics for lumber production are not yet available for December, but weekly unadjusted numbers show a 37 per cent rise in output in December from a year ago. What is more, in response to sharply higher demand by the construction industry, lumber prices have been rising since July. For example, prices of sheathing plywood have jumped by almost 30 per cent in the past six months.

. . . Show Many Signs Of Improving

Similarly, the declines in total manufacturing employment have slowed, and a number of industries have begun to add to their payrolls (see chart on page 1). To be sure, the number of production workers employed in manufacturing has been sliding for 17 months in a row, but there was no smaller decline in almost 1½ years than that posted in December. Importantly, in December seven of the 20 available industries added employees while two held their payrolls constant. The transportation

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 1/12/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	144.819	– 2.967	+ 8.396
Loans to Depository Inst.	.427	– .775	– .571
Float	2.945	– .149	– 1.214
Total Reserve Bank Credit	157.987	– 4.650	+ 7.056
Treasury Deposits with Federal Reserve Banks	2.915	– 1.273	– .154
Currency Outside Banks	136.563	– 1.850	+10.017
Member Bank Reserves:			
Required	40.924	– .467	– 1.249
Excess (Deficiency)	.457	– .687	+ .114
Total Reserves Held	41.381	– 1.154	– 1.135
Net Free Reserves	.194	+ .072	+ .602
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	109.068	+ 2.871	+12.262
Monetary Aggregates†		**% Change Since Three Months Ago***	**% Change Since Year Ago**
M1	484.6	+ 14.1‡	+ 7.7‡
M2 (December '82)	1,999.1	+ 9.0	+ 9.7
M3 (December '82)	2,403.7	+ 6.7	+ 9.9
L (August '82)	2,858.2	+ 12.1	+ 11.7

†Seasonally adjusted. *Seasonally adjusted annual rate. ‡Four-week moving average.

New York Money Market

Offering Rates 1/21/83	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	7.50%	7.60%	7.65%
* Federal Agencies	7.40	8.10	8.70
* Project Notes–Taxfree (46% Taxable Equivalent)	7.41	8.52	8.70
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	8.40	8.55	9.10

‡Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 14 days	7.00%	Feb.	8.05%
15- 29 days	7.00	Mar.	8.05
30- 59 days	7.75	Apr.	8.05
60- 89 days	7.75	May	8.05
90-179 days	7.75	Jun.	8.10
180-239 days	7.75	Jul.	8.05
240-270 days	7.75		

‡Industrial Paper–Prime			
30- 89 days	8.00%	†Federal Funds Effective Rate	8.25%
90-120 days	8.00		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'82n	$ 3,101	$ 3,088	$ 3,003
Gross National Product (1972 Dollars)*	4th Q'82n	$ 1,472	$ 1,481	$ 1,490
Percent Change, Annual Rate	4th Q'82n	– 2.5	0.7	– 5.3
Change in Consumer Prices (all urban consumers)*	Dec '82n	– 3.6%	1.2%	4.8%
Change in Producer Prices*	Dec '82	1.2%	7.2%	3.6%
Civilian Employment (Thousands of Persons)†	Dec '82	99,093	99,136	99,677
Unemployment as % of Civilian Labor Force†	Dec '82	10.8%	10.7%	8.6%
Personal Income*	Dec '82n	$ 2,637	$ 2,621	$ 2,498
Leading Indicators Composite Index (1967=100)†	Nov '82	131.7	130.7	128.2
Industrial Production Index (1967=100) †	Dec '82	134.7	134.8	143.4
Net Change in Consumer Installment Credit†	Nov '82	$ 2.52	–$ 0.32	$ 0.60
U.S. Merchandise Trade Balance †	Nov '82	–$ 4.09	–$ 5.33	–$ 4.42
Plant and Equipment Expenditures*	1st Q'83	$316.40(a)	$324.47(a)	$327.72
Private Housing Starts (Thousands of Units)*	Dec '82n	1,222	1,404	882
New Construction Expenditures*	Nov '82	$ 237.2	$ 229.1	$ 230.0
Total Business Inventories †	Nov '82	$ 508.6	$ 514.2	$ 521.6
Total Business Sales †	Nov '82	$ 336.4	$ 332.5	$ 344.9

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

sector which includes the motor vehicles and parts and aerospace industries added 29,000 workers or 2.9 per cent (see chart) in December compared with November—the largest monthly gain since November, 1976. The rise in the production of automobiles and aircraft has in turn boosted demand for fabricated metals products where, after 16 months of declines, employment rose by 0.1 per cent, and for rubber and plastics, where 0.6 per cent more production workers were employed in December than in November.

Similarly, the revival in housing activity—albeit modest—has had a profound effect on many related industries. The lumber and wood industry has added 4,000 workers since October, and now employs 1.2 per cent more workers than in December, 1981. Demand for furniture is up; retail sales by furniture stores have been increasing since October, while employment in the furniture manufacturing industry rose by 0.6 per cent, month-over-month. Finally, employment in the paper and allied products industry has been rising for two months in a row. This category includes paperboard production, a good coincident indicator of economic activity, since it is used for packaging most goods ready for shipping. Production of paperboard jumped by 6.3 per cent in November, and weekly numbers indicate that in December it rose even higher. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (1/5/83)	126,378	– 6,206	– 5,512
New York City (1/5/83)	33,327	– 2,285	+ 1,277
Commercial Paper (1/5/83)	165,613	– 909	+ 2,179*

*Series redefined: Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
	Commercial and Industrial Loans		
Weekly Reporting Large Commercial Banks			
Nationwide (1/5/83)	219,267	+ 1,560	+23,368
New York City (1/5/83)	61,510	+ 760	+ 5,733
	Total Loans Gross Adjusted		
Nationwide (1/5/83)	509,442	+ 66	+38,093
New York City (1/5/83)	119,286	– 200	+ 8,185

Financial Markets

	Friday 1/21/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	8.30%	+ .55	– 5.59
180-Day Bills†	8.45	+ .50	– 6.36
Longest Bills†	8.80	+ .55	– 6.06
Recent Issues:			
9 1/4s 1/31/85 (When Issued)	9.47	NA	
10s 12/31/86	10.00	+ .40	
10 1/2s 11/15/92	10.55	+ .30	
10 3/8s 11/15/12	10.79	+ .31	
Municipals:			
Bond Buyer–20 Bond Index* (1/20/83)	9.48%	+ .11	– 3.68
Blue List Total ($ Million)	$1,110	+ $153	+ $320
30-Day Visible Supply ($ Million)	$1,465	– $161	– $439
Total	$2,575	– $ 8	– $119
Corporates:			
Moody's Aa Composite (1/20/83)	12.25%	– .02	– 3.57
30-Day Visible Supply ($ Million) ‡	$ 395	+ $115	NA
Stocks:			
Dow-Jones Averages:			
Industrials	1,052.98	– 27.87	+ 207.95
Transportation	448.78	– 18.90	+ 106.75
Utilities	125.05	+ .42	+ 20.99
65 Stocks	413.24	– 11.10	+ 85.28
Standard and Poor's 500 Stocks	143.85	– 2.80	+ 28.47
N.Y.S.E. Composite Index	83.18	– 1.49	+ 16.40
N.Y.S.E. Avg. Daily Vol. for Week (000's)	81,780	–13,032	+ 35,360

* 46% Taxable equivalent 17.56%.
‡Series redefined: Historical data not available.
† Bond equivalent.

International Rates

	Friday 1/21/83	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	8.50%	8.88%
1 month	8.81	8.75
3 month	8.88	8.81
6 month	9.06	8.94
1 year	9.25	9.13
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	11.60%	11.70%
Long Term (7 to 15 yrs.)	11.70	11.80

FOREIGN EXCHANGE SPOT RATES

New York Opening (1/21/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02106	47.48
Canada	.8159	1.2257
Denmark	.1176	8.5000
France	.1452	6.8850
Germany	.4119	2.4280
Italy	.0007165	1395.50
Japan	.004250	235.28
Mexico	.006734	148.50
Netherlands	.3754	2.6638
Switzerland	.5039	1.9845
U.K.	1.5755	.6347

A Fact from Manufacturers Hanover:

SPECIAL RATES EXTENDED UNTIL JAN. 31

WE'RE INTRODUCING A LIQUID INVESTMENT MORE SOLID THAN ANY MONEY MARKET FUND

It's a fact. Our new MHT Money Management Account℠ is here. And it offers features that no money market fund can match. It's more solid than any money market fund because it's FDIC insured.† It's more liquid because you can make withdrawals anytime you want.

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†Total deposits insured up to $100,000.

MHT MONEY MANAGEMENT ACCOUNT

Money Management Account Balance	Annual Percentage Yield**	Annual Interest Rate*
$2,500—$14,999	11.231%	10.500%
Money Management Account or Consolidated Balances of $15,000 or More	11.797%	11.000%

A higher rate for consolidated balances is a continuing feature for MHT customers. Keep $15,000 or more in *either* a Money Management Account *or* in any combination of a Money Management Account and other MHT Savings or Times Deposit Accounts to earn the higher rate.
These rates are effective through January 31, 1983.

*Interest rates change weekly. Balances below $2,500 earn NOW Account interest rate.
**Assuming principal and interest remain on deposit at this current rate for full year.

Mail to:
MONEY MANAGEMENT ACCOUNT
Branch Banking Customer Services
Manufacturers Hanover Trust
C.S. 1200, Hicksville, N.Y. 11802
Please send me the facts and the materials needed for opening the new Money Management Account.

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City _____
State _____ Zip _____
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